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SIPDIS

DEPARTMENT FOR NEA/ARPI AND EB/CBA DENNIS WINSTEAD
STATE PASS TO USTR JASON BUNTIN

E.O. 12958: N/A

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SUBJECT: The Bahrain Financial Center - If you build it,
they will come.

1. (U) Summary: On October 17 the Ambassador visited the Bahrain Financial Harbor (BFH), a USD \$1.3 billion project to develop a mini-city of luxury offices and apartments targeted at the financial services and insurance sectors. The BFH is seen as a complement to GOB efforts to promote Bahrain as an international financial hub. Investors and the GOB are banking on the Bahrain Monetary Agency's solid reputation as a regulator to beat regional competition to attract investment from overseas financial services firms. End Summary.

2. (U) The Ambassador, accompanied by EconOff and EconFSN, visited the \$1.3 billion BFH project on October 17 for a project tour and multimedia presentation hosted by the chairman of Islamic investment bank, Gulf Finance House (GFH) Esam Janahi. Also present were Esam's uncle and lead designer/consultant for the project, Ahmed Janahi, and several other BFH officials. The visit was covered in both English and Arabic newspapers. The articles also highlighted the U.S.-Bahrain Free Trade Agreement (FTA).

3. (U) According to its designer, the BFH responds to the need for a modern work environment with top of the line business services as well as luxury housing and amenities. It sits on reclaimed land on the coast west of downtown Manama. The project includes both living and working space, a marina and space for a dhow port, as well as plans for a concert hall. The first phase, planned for early 2007 and now ahead of schedule, includes two 53-story twin towers of office space; a "Financial Mall" which will house the Bahrain Stock Exchange as well as other brokerages, exchange bureaus, and consumer banking outlets; and a "Harbor House" that is designed to host specialized media firms and other financial sector support enterprises. The three projects, a \$250 million investment, will act as the centerpiece of the BFH.

4. (U) The BFH is seen by its investors as a complement to GOB efforts to promote the country as an international financial hub. However, rather than targeting only larger institutions that might already have a regional presence, the BFH strategy is to attract mid-size financial institutions seeking to expand into new markets. Investors believe the FTA will help market the BFH to this class of firms in the U.S. The Ambassador stressed that while the FTA is an important framework for expanding commercial ties, it is the private sector that must take the lead in ensuring implementation is a success. Esam Janahi agreed and highlighted the need to encourage new and innovative business ideas and projects like the BFH to help make Bahrain a more attractive investment destination.

5. (U) The Ambassador raised the issue of stiff regional competition, particularly from Dubai, and asked if Bahrain would be able to attract the number of firms required to make the BFH a success. Janahi acknowledged there was room for concern, but underlined that the regulatory reputation of the Bahrain Monetary Agency would continue to draw financial institutions to establish their base of operations in Bahrain.

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